

1017349

PAID-UP  
OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this April 2<sup>nd</sup>, 2008, by and between the undersigned parties designated as Lessor on the signature page of this Lease (such parties are hereafter called "Lessor") and the undersigned parties designated as Lessee on the signature page of this Lease (such parties are hereafter called "Lessee").

**1. Grant of Interest/Description.** Lessor, in consideration of a cash bonus in hand paid, of the royalties herein provided, and of the agreements of Lessee hereinafter contained, hereby grants, leases, and lets exclusively unto Lessee for the sole purpose of exploring for, drilling, operating, and producing oil and/or gas and of laying pipelines, temporarily storing oil, building tanks (but not tank farms), power stations, telephone lines, roads and structures thereon necessary to produce, save, care for, treat and transport the oil and/or gas produced from the land leased hereunder, the following described land situated in Tarrant County, State of Texas, (sometimes referred to hereinafter as the "leased premises") to wit:

**Lot 13 of Block 6 of the Draughton Heights Addition, a subdivision of the City of Fort Worth**

For the purposes of calculating shut-in royalty payments as provided herein, the leased premises shall be deemed to contain 2.02 acres, regardless of whether it actually contains more or less.

**2. Term.** Subject to the provisions hereinafter contained, this Lease shall be for a term of three (3) years from this date (called "primary term"), and so long thereafter as oil and gas, or either of them, is produced in paying quantities from the leased premises or lands with which the leased premises are pooled pursuant to the provisions of this Lease, or operations are conducted as hereinafter provided. Upon the termination or any partial termination of this Lease, Lessee shall prepare, execute and deliver to Lessor a recordable release of such acreage in accordance with Section 21 of this Lease.

At the expiration of the primary term, this Lease shall automatically terminate as to all lands except those included in a governmental proration unit attributable to a well then producing oil and/or gas in paying quantities unless operations are then being conducted in accordance with the Continuous Development provisions of Section 4 below or the Additional Drilling or Reworking provisions of Section 5 below, in which case the terms of Sections 4 and 5 shall control.

If at the expiration of one (1) year after the end of the primary term, this Lease is perpetuated by production of oil and/or gas in paying quantities, then, with respect to each governmental proration unit on the leased premises or lands pooled therewith, this Lease shall automatically terminate as to all rights granted by this Lease 100' below the base of the deepest producing formation which is either actually producing hydrocarbons or has been tested by the Lessee and proven to be capable of producing hydrocarbons in paying quantities. Provided, however, if at the expiration of one (1) year after the end of the primary term, Lessee is engaged in drilling an additional well or wells pursuant to the provisions of Section 4 of this Lease, then this Lease shall not terminate with respect to the depths described in this paragraph so long as development continues in accordance with the terms of Section 4 of this Lease. Furthermore, if at the expiration of one (1) year after the end of the primary term, Lessee is engaged in deepening an existing well, then for purposes of this paragraph only, the deepening of an existing well will be considered a continuous development operation under Section 4 of this Lease, and so long as Lessee continues developing the leased premises in accordance with the terms of Section 4, the rights to the depths described in this paragraph will not terminate.

If at any time after the expiration of the primary term, any governmental proration unit assigned to a well should be reduced in size, then the Lessee shall have sixty (60) days to commence the drilling of another well or wells as described in Section 4 of this Lease, or this Lease shall automatically terminate with regard to the acreage no longer contained within the applicable proration unit. If at any time after one (1) year after the expiration of the primary term, should the deepest producing horizon attributable to any governmental proration unit on this Lease cease to produce, then Lessee shall have sixty (60) days to begin either deepening that well or commencing the drilling of another well or wells on that proration unit in accordance with the provisions of Section 4 of this Lease, or this Lease, insofar as it covers such proration unit, shall automatically terminate with regard to all depths below 100 feet below the base of the deepest producing formation which is either actually producing hydrocarbons or has been tested by the Lessee and proven to be capable of producing hydrocarbons in paying quantities.

To the extent that any part of this Lease remains in effect, then Lessee shall retain such easements across the terminated portions of the Lease as shall be reasonably necessary for ingress and egress to enable Lessee to develop and operate the remaining portion of this Lease. Lessee shall not be required to remove or relocate any pipelines, tanks, separators, or other equipment or machinery used in connection with production on the portion of this Lease that remains in effect.

**3. Release.** Lessee may at any time or times execute and deliver to Lessor, a release or releases of this Lease as to all or any part of the leased premises, and thereby be relieved of all obligations as to the released land or interest, except for the indemnification obligations described in Sections 22 and 26 and the plugging obligations in Section 28 of this Lease. If a portion of the lands covered by this Lease is released, the shut-in royalty payments computed in accordance therewith shall be reduced by the proportion that the number of surface acres within such released portion bears to the total number of surface acres which were covered by this Lease immediately prior to such release.

**4. Continuous Development.** Upon the completion of any well as a well capable of producing oil or gas in paying quantities or as a dry hole (completion being the release of the completion rig, or if the well is a dry hole, the release of the drilling rig), Lessee shall, within one hundred eighty (180) days thereafter, commence the drilling of another well on the leased premises (commencement being the actual spud date of the succeeding well). Thereafter, in order to maintain this Lease in full force and effect, Lessee shall be obligated to conduct continuous drilling operations with no more than one hundred eighty (180) days elapsing between the completion of one well and the commencement of drilling of another well. Failure to commence such additional well within the time herein provided shall terminate this Lease ipso facto as to all lands except those included within the surface boundaries of any governmental proration unit otherwise being maintained under the provisions of this Lease. Nothing herein shall be construed to limit or modify Lessee's obligation to drill any offset wells provided for herein.

**5. Additional Drilling or Reworking.** If, at the expiration of the primary term, oil and/or gas are being produced in paying quantities, but production thereafter ceases from any cause, this Lease shall not terminate as to the governmental proration unit attributable to the well or wells affected thereby if Lessee commences reworking or additional actual drilling within ninety (90) days thereafter, and such reworking or additional drilling is diligently prosecuted with no cessation of more than ninety (90) consecutive days, and production in paying quantities thereafter resumes.

If, at the expiration of the primary term oil and/or gas are not then being produced from any well or wells on the leased premises or any lands pooled therewith, but Lessee is then engaged in operations (as defined hereinafter) on any such well or wells, this Lease shall remain in force for so long as such operations are diligently prosecuted with no cessation of more than ninety (90) consecutive days between such cessation and the resumption of such operations. If such operations result in the production of oil or gas in paying quantities, this Lease shall not terminate as to the governmental proration unit attributable to the well or wells then producing oil or gas in such quantities; but this Lease shall terminate as to all other acreage unless Lessee shall have commenced

drilling a new well or wells in accordance with the Continuous Development provisions of Section 4 of this Lease.

Wherever used in this Lease the word "operations" shall mean operations for and any of the following: actual drilling, testing, completing, sidetracking, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in an endeavor to obtain production of oil or gas in paying quantities.

**6. Royalties.** As royalty, Lessee shall deliver to the credit of Lessor, free of cost into the tanks or pipelines to which wells may be connected or to any other delivery point, (1/4) of the proceeds from the sale of all the marketable substances which the Lessor owns, to include oil, gas, gas condensate, coalbed methane gas and other hydrocarbons produced and saved from the leased premises. All oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction, directly or indirectly, for the cost of producing, gathering, storing, separating, treating, dehydrating, blending, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any costs associated with gathering, treating, dehydrating, blending, compressing, processing, and/or transporting, which result in enhancing the value received for the marketable oil, gas or other products may be deducted from Lessor's share of production so long as the costs are reasonable and the actual royalty revenues increase in proportion to the costs assessed against Lessor's interest. An operation shall be considered an enhancement only if the product is already marketable and the operation is over and above and in addition to any operation that a prudent operator would perform under normal operating circumstances in order to make the product marketable. It shall be Lessee's continuing obligation to be able to demonstrate such. In the event that enhancement costs are to be deducted from Lessor's share of production, Lessee shall, upon receipt of a written request from Lessor provide Lessor a detailed written explanation that will show the value before the enhancement, the cost of the enhancement and the value added by the enhancement. Under no circumstances will marketing fees be charged to Lessor. Lessee shall pay Lessor royalty on all gas produced from a well on the leased premises or on lands pooled with the leased premises and sold or used off the leased premises regardless of whether or not such gas is produced to the credit of Lessee or sold under a contract executed by or binding on Lessee. Should gas be sold under a sales contract not binding on Lessor, Lessor's royalty will be calculated based on the highest price paid for any of the gas produced from the well from which such gas is produced. In no event will the price paid Lessor for Lessor's share of gas be less than the price paid Lessee for Lessee's share of gas. Lessee agrees that it will not enter into any contract of sale of production from this lease which shall extend more than three years from the effective date of such sales contract unless such contract has adequate provisions for redetermination of price at intervals of not less frequently than three years to assure that production from this lease is not being sold for less than the then current fair market value. Within **180** days following the first sale of oil or gas produced from the leased premises, settlement shall be made by Lessee or its agent for royalties due hereunder with respect to such oil or gas sold off the premises, and such royalties shall be paid monthly thereafter without the necessity of Lessor executing a division or transfer order. Upon the Lessor's written request, the Lessor shall have the right to take the Lessor's royalty in kind. However, the Lessor shall not be obligated or compelled in any manner or circumstances to take the royalty in kind. Upon the expiration of the primary term, the minimum annual royalty required to sustain this lease, calculated on a calendar year basis, will be Five Dollars (\$5.00) per net mineral acre.

**7. Payment of Royalties.** With respect to each well on the leased premises or on land pooled therewith, initial royalty payments for oil and/or gas shall be made on or before the end of the third calendar month following the month of first production. Thereafter, all royalties which are required to be paid hereunder to Lessor shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the end of the first calendar month following the month of production, and royalty on gas shall be due and payable on or before the end of the second calendar month following the month of production. Each royalty payment shall be accompanied by a check stub, schedule, summary or remittance advice identifying the Lease and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be delivered to Lessor within thirty (30) days after entering into or making such contracts, agreements or amendments. The books, accounts and all other records pertaining to production, transportation, sale and marketing of oil or gas from the leased premises shall at any time during normal business hours be subject to inspection and examination by Lessor. If payments to be made by Lessee to Lessor are not made when due, the unpaid portion shall bear interest at the lower of the prime rate at Bank One, Texas N.A. (or its successor) plus 2%, or the highest rate allowed by law. If Lessee is found to be in default hereunder and this matter is turned over to an attorney for collection, or is collected by suit, Lessee agrees to pay all attorney fees incurred by Lessor. Payments may be remitted to Lessor annually for the aggregate of up to twelve months accumulation of proceeds if the total amount owed is Twenty-five Dollars (\$25.00) or less.

**8. Limitation to Oil and Gas.** This Lease is intended to cover only oil and gas, but some other substances (including helium and sulphur) may be produced necessarily with and incidental to the production of oil or gas from the leased premises; and, in such event, this Lease shall also cover all such other substances so produced. On all such substances so produced under and by virtue of the terms of this Lease, Lessor shall receive a royalty of 1/4 of all such substances so produced and saved, same to be delivered to Lessor, free of all costs; or, at Lessor's election, Lessor's 1/4 of such substances shall be sold by Lessee with Lessee's portion of such substances and at the same profit realized by Lessee for its portion of such substances.

**9. Gas Contracts.** Lessee agrees that it will not enter into any contracts for the sale of production from this Lease which shall extend more than three (3) years from the effective date of such contract, unless such contract has adequate provisions for redetermination of price at least every three (3) years to assure the production from this Lease is not being sold for less than the then current fair market value of the production being sold.

**10. Separation of Liquids.** All gas produced from the leased premises or lands pooled therewith shall, before the same is sold or used for any purpose or is transported from the leased premises or pooled unit, be passed through a mechanical separator system situated on the leased premises or on any lands pooled therewith, designed and operated to effect the maximum economical recovery of liquid hydrocarbons therefrom. All condensate, distillate, natural gasoline, kerosene, and all other liquid hydrocarbons and mixtures thereof produced with gas from the leased premises or lands pooled therewith and separated from such shall be considered oil for all purposes of Section 6 above.

**11. Right to Take Production in Kind.** Lessor shall always have the right, at any time and from time to time, upon reasonable written notice to Lessee, to take Lessor's share of oil, gas and processed liquids in kind. Lessor may elect to take Lessor's gas in kind at the well or at the point of delivery where Lessee delivers Lessee's gas to any third party. If gas is processed, Lessor may elect to take Lessor's share of the residue gas attributable to production from the leased premises, at the same point of delivery where Lessee receives its share of residue gas or has its share of residue gas delivered to a third party. Lessor may elect to have its royalty share of processed liquids stored in tanks at the plant or delivered into pipelines on the same basis as Lessee's share of liquids is stored or delivered. Lessor shall reimburse Lessee for all reasonable costs incurred by Lessee in installing, operating or maintaining additional facilities necessary for Lessor's royalty gas and processed liquids to be separately metered, accounted for, and delivered to a third party, but Lessor shall not be charged for any expense in the production, gathering, dehydration, separation, compression, transportation, treatment, processing or storage of Lessor's share of gas and processed liquids along with Lessee's share of gas and processed liquids.

**12. Shut-in Payments.** While there is a well on the leased premises or lands pooled therewith capable of producing gas in paying

quantities but the production thereof is shut-in, shut-down or suspended for lack of a market, available pipeline, or because of government restrictions or, if it is economically inadvisable for both the Lessor and Lessee to sell gas for a time as evidenced by a written agreement signed by both parties, then, and in any such event, Lessee may pay as shut-in royalty on or before ninety (90) days after the date on which (1) production from any such well is shut-in, shut-down or suspended; or (2) this Lease is no longer maintained by compliance with one of the other preservation provisions hereof, whichever is the later date, and thereafter at annual intervals the sum of Ten Dollars (\$10.00) per net mineral acre per proration unit per well, or Fifty Dollars (\$50.00) per well whichever is greater, for each and every shut-in, shut-down or suspended well. If such payment is made in accordance with the terms hereof, this Lease shall not terminate, but shall continue in force for a period of one (1) year from the date of making such shut-in payment (subject to the exceptions set out hereafter) and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of each pertinent provision of this Lease, it being understood and agreed that such payment shall be in lieu of and excuse the payment of the annual delay rentals which may have otherwise accrued and become payable under the terms and provisions hereof. Provided, however, in no event shall shut-in well payments maintain this Lease in force for a period exceeding two (2) years past the date of the first shut-in period, or two (2) years past the primary term of this lease, whichever is longer, without written consent of the Lessor, its successors or assigns. Such consent shall not be unreasonably withheld. The depository bank for shut-in payments is Bank One, Texas, N.A. P.O. Box 2605, Fort Worth, Texas 76113. Any shut-in royalty payment shall not be a credit against production nor be credited with prior production royalty. In the event that production is begun or resumed during the year following the payment of a shut-in royalty payment and is subsequently shut-in, during such year the second annual shut-in payment shall be due and payable on the anniversary date of the first payment. If there is production on such first anniversary date and the well is subsequently shut-in, shut-down or suspended, then the second shut-in payment shall be made on or before ninety (90) days after such new shut-in date or the Lease shall terminate. Notwithstanding anything to the contrary set out above, should the shut-in period extend beyond the expiration of the primary term such shut-in provision will maintain the rights granted by this Lease only to the producing units and horizons of such gas well(s) as if they were producing gas in paying quantities pursuant to Section 2 above. Should such shut-in royalty payments not be made in a timely manner as provided for above, then, in that event, it shall be considered for all purposes that there is no production of gas from any such well or wells and, unless this Lease is being maintained by any other preservation provision hereof, this Lease shall terminate automatically at midnight on the last day provided for the payment of such shut-in royalties, and Lessee shall thereupon furnish to Lessor a release of all of its interest in and to this Lease as provided in Section 21. Notwithstanding anything to the contrary set out above, should Lessee be entitled to pay shut-in royalty payments on more than one well or unit on or pooled with this Lease, then Lessee's failure to make such shut-in royalty payment on one well or unit for which Lessee has not executed a release in accordance with the terms of Section 21 of this Lease, shall be deemed a failure to timely make all shut-in royalty payments permitted hereunder and with sixty (60) days written notice and a reasonable amount of time to cure, this Lease shall automatically terminate except as to all or any portion of this Lease which is maintained by any other provision hereof.

**13. Pooling.** Lessee, upon the prior written consent of Lessor which shall not be unreasonably withheld, is hereby given the right and power to pool or combine the acreage covered by this Lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when it is necessary or advisable to do so in order to properly explore, or develop, produce and operate said leased premises in compliance with the spacing rules of the appropriate lawful authority, or when to do so would promote the conservation of oil and gas in and under and that may be produced from said premises. In the absence of field rules, units pooled for oil hereunder shall not substantially exceed 40 acres each in area plus a tolerance of ten percent (10%) thereof, and units pooled for gas hereunder shall not substantially exceed in area 320 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe the creation of units larger than those specified, for the drilling or operations of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this Lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this Lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing the pooled acreage as a pooled unit. In this regard, Lessee shall provide Lessor with a copy of any and all documents filed with any regulatory authority or recorded in the records of any county within thirty (30) days of filing such documents. Upon the recordation of the unit in the county records and the timely furnishing of the copies required herein to Lessor the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this Lease, such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this Lease whether or not the well or wells be located on the premises covered by this Lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of this Lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, there shall be allocated to the land covered by this Lease and included in said unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be on oil and gas, or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from this Lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from this Lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this Lease. If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease, but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as provided above. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

**14. Assignability.** The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns of the parties hereto; provided, however, that any such assignment

by Lessee shall require the prior written consent of Lessor except assignment to an affiliated company or individual, which consent shall not be unreasonably withheld. Lessor's consent to any assignment shall not constitute consent to any other assignment. Any assignment made without Lessor's consent except assignment to an affiliated company or individual, shall be void and shall constitute a material breach of this Lease. Lessee shall furnish Lessor a copy of any assignment made pursuant to this section, with the recording data reflected thereon (if recorded). Assignment of this Lease or any part thereof shall not relieve Lessee, its assignees, or any sub-assignees of any obligations hereunder, theretofore accrued or to accrue in the future; and any assignee of Lessee shall, by acceptance of such assignment, be bound by all terms and provisions hereof. The term "assignment" as used herein, shall include, without limitation, any sublease, farmout, operating agreement, pooling agreement, unitization agreement, or any other agreement by which any share of the operating rights granted by this Lease are assigned or conveyed, or agreed to be assigned or conveyed, to any other party. If Lessee fails to furnish Lessor a copy of any assignment complying with the requirements of this section within thirty (30) days after Lessor's demand therefore, then Lessee shall pay Lessor an amount equal to Five Dollars (\$5.00) per acre per day for each acre of the leased premises that has been assigned, beginning with the 30th day after the date of Lessor's request and continuing until such assignment has been executed and delivered to Lessor. It is agreed that actual damages to Lessor for Lessee's failure to deliver such assignment are difficult to ascertain with any certainty, and that the payments herein provided are a reasonable estimate of such damages and shall be considered liquidated damages and not a penalty. No change or division in ownership of the leased premises, rentals or royalties however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, nor shall any such change or division be binding upon Lessee for any purpose until the person acquiring any interest has furnished Lessee with a certified copy of the instrument or instruments constituting his chain of title from Lessor. In the event of an assignment of this Lease to a segregated portion of the leased premises, the delay rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area owned by each. If Lessee or any assignee of a segregated part or parts hereof shall fail or make default in the payment of the proportionate part of the delay rentals due from such Lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this Lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall make payment of said delay rental and comply with all other provisions hereof.

**15. Duty to Develop.** The drilling of a well or wells within the broad language of this Lease shall not be construed as an agreement or construction on the part of Lessor that such drilling would constitute reasonable development of the leased premises, and Lessee agrees to drill any and all wells on the leased premises, or such portion or portions thereof as may be in force from time to time, as may be necessary to reasonably explore and develop the same for the production of oil and gas. In the event a well or wells producing oil or gas should be brought in on adjacent land and draining the leased premises, Lessee agrees to drill such offset wells as a reasonable prudent operator would drill under the same or similar circumstances. If oil and/or gas are discovered on the land covered by this Lease, or on land pooled therewith, Lessee agrees to further develop said land covered by this Lease as a reasonable prudent operator would under the same or similar circumstances.

**16. Damages and Restoration.** If Lessor is also the owner of the surface, then Lessee shall pay Lessor for all damages and losses caused by operations hereunder to timber, permanent pastures, livestock, growing crops, fences, water and irrigation wells, including but not limited to damages for roads, locations, pipelines, etc. on or across the lands and to any physical structures on the land caused by any and all operations under this Lease. Damages will be the greater of the market value or replacement cost of the item diminished or destroyed or the normal amount for damages in the area for like items. Lessee will restore the land to its former condition as nearly as practicable after the completion and after the plugging and abandonment of each well, and after the abandonment of this Lease. In addition, and not in lieu of recompense provided elsewhere in this Section 16, at least ten (10) days prior to the drilling of any well on the leased premises, Lessee shall pay Lessor \$negotiable for every well location. [At least ten (10) days prior to any road or pipeline construction, Lessee shall pay Lessor \$negotiable per rod of such road or pipeline.]

**17. Water.** Lessee shall have the free use of water from the leased premises except fresh water from Lessor's wells, tanks, creeks, rivers, streams and springs, for all operations solely on the leased premises, provided that no surface water or underground fresh water from this Lease will be used for water flood or pressure maintenance purposes. Lessee shall comply with all applicable rules in disposition (by reinjection or otherwise) of salt water, brine or other fluids utilized in or resulting from operations, and shall not cause or permit any such substances to damage or pollute the surface of the leased premises or any fresh water sands lying thereunder.

**18. Division Order Title Opinions.** If a well is a producer, Lessee shall automatically deliver to Lessor a copy of any Division Order title opinions and any revisions or supplements thereto within thirty (30) days of receipt of same by Lessee.

**19. Notifications Required.** Lessee shall advise Lessor in writing of the location of each well to be drilled upon the leased premises or on land pooled therewith on or before seven (7) days after commencement of operations, and shall advise Lessor in writing the date of completion and/or abandonment of each well drilled on the leased premises or on land pooled therewith (such notice shall include furnishing Lessor a copy of the applicable completion or plugging report filed with any governmental or regulatory agency) within thirty (30) days after completion or abandonment. As to any well drilled under the provisions of this Lease, Lessor, or Lessor's representatives, or any one or more of the same, shall have access to such well and upon written request shall be furnished with copies of daily drilling reports. Such reports and information shall be furnished within thirty (30) days after the same are obtained or compiled by Lessee. In addition, Lessee shall upon written request, furnish Lessor within thirty (30) days from the date of the request or thirty (30) days from the date that the data is received by Lessee:

A. Plats or maps showing the location of the well on this Lease or lands pooled therewith.

B. The details of any drillstem tests taken in said well, and the results of any core analysis or analyses which shall be run on any cores taken while drilling said well.

C. Upon commencement of any drilling or reworking operations on this Lease or lands pooled therewith with copies of all reports filed with the appropriate governmental authority or other governmental agency having jurisdiction in connection with such operation.

D. Upon completion of any drilling or reworking operations on this Lease or lands pooled therewith, with copies of all logs run in such well and copies of core or other type of formation analysis subject to a confidentiality obligation on Lessor's part if filed as confidential with the appropriate governmental authority.

E. A summary report, to be made annually on the anniversary date of this Lease and commencing upon the expiration of the primary term of this Lease, to include (1) lease number assigned by the Railroad Commission; (2) on the reporting date the number of producing wells and the number of wells not producing but not plugged; (3) the number of wells that were plugged during the previous twelve (12) months, and (4) a map denoting the location of each of these wells on the leased premises.

F. It is understood and agreed that all information provided Lessor herein is proprietary and is to be held in confidence. If Lessee fails to comply with any of the provisions of this Section 19, then Lessee shall pay Lessor an amount equal to Fifty Dollars (\$50.00) per day for each day such failure continues. It is agreed that actual damages to Lessor for Lessee's failure to comply with the provisions of this Section 19 are difficult to ascertain with any certainty, and that the payments herein provided are a reasonable estimate of such damages and shall be considered liquidated damages and not a penalty.

**20. Force Majeure.** Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant hereunder

due to force majeure. The term "force majeure" shall mean: Any act of God including but not limited to storms, floods, washouts, landslides, and lightning; act of the public enemy; wars, blockades, insurrection or riots; strikes or lockouts; epidemics or quarantine regulations; laws, acts, orders or requests of Federal, State, Municipal or other governments or governmental officers or agents under the color of authority requiring, ordering or directing Lessee to cease drilling, reworking or producing operations; freight embargoes or failures; exhaustion or unavailability or delays in delivery of any product, labor, service or material. The term "force majeure" shall not include lack of markets for production or any other events affecting only the economic or financial aspects of drilling, development or production. For a period of sixty (60) days after termination of an event of force majeure, each and every provision of this Lease that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this Lease shall continue in full force, provided, however, that in no event will the primary term be extended unless Lessee has begun the actual drilling of a well prior to the date of the expiration of the primary term.

**21. Releases Required.** Within thirty (30) days after the partial termination of this Lease as provided under any of the terms and provisions of this Lease, Lessee shall deliver to Lessor a plat showing the production units designated by Lessee, copies of logs showing depths to be retained within each unit, and a fully executed, recordable release properly describing by metes and bounds the lands and depths to be retained by Lessee around each producing well. If this Lease terminates in its entirety, then Lessee shall deliver a complete, fully executed, recordable release to Lessor within thirty (30) days. If such release complies with the requirements of this section, Lessor shall record such release. If Lessee fails to deliver a release complying with the requirements of this section within thirty (30) days after Lessor's demand therefore, then Lessee shall pay Lessor an amount equal to Five Dollars (\$5.00) per acre per day for each acre of the leased premises that should have been released, beginning with the 30th day after the date of Lessor's request and continuing until such release has been executed and delivered to Lessor. It is agreed that actual damages to Lessor for Lessee's failure to deliver such release are difficult to ascertain with any certainty, and that the payments herein provided are a reasonable estimate of such damages and shall be considered liquidated damages and not a penalty. Furthermore, Lessor is hereby authorized to execute and file of record an affidavit stating that this Lease has expired and the reason therefore, and such affidavit shall constitute prima facie evidence of the expiration of this Lease or any part of this Lease.

**22. Indemnification.** Lessee, its successors and assigns, agrees to indemnify, defend and hold harmless the parties herein designated Lessor, and each of them, from and against any and all claims, losses, liabilities, fines, costs, expenses (including attorneys fees and expenses) resulting from or arising out of or in connection with operations of or for Lessee, its agents, contractors, or subcontractors hereunder, regardless of the cause of such claims, losses, liabilities, fines, costs, or expenses. This provision and its indemnities shall survive the termination of this Lease and shall inure to the successor, heirs and assigns of Lessor and Lessee.

**23. Special Warranty.** This lease is made by Lessor without warranty of title, either express or implied, except as to conveyance or encumbrances by, through, or under Lessor, but not otherwise. Lessor agrees that Lessee shall have the option after Lessee has given Lessor sixty (60) days written notice, to redeem for Lessor any tax, mortgage, or other lien upon said land, either in whole or in part, and in the event Lessee does so, it shall be subrogated to such lien with right to enforce same, subject to any defenses of Lessor, and apply royalties accruing hereunder toward satisfying same.

**24. Proportionate Reduction for less than Entire Interest.** It is agreed that if Lessor owns an interest in oil and gas in and under any of the leased premises which is less than the entire oil and gas fee simple estate, then the royalties and all other benefits to accrue or to be paid to Lessor hereunder as to such lands shall each be reduced to the proportion thereof which the mineral fee estate of Lessor in such land bears to the entire mineral fee estate, provided that in no event shall there be any refund of any amounts previously paid to Lessor as bonus consideration or delay rentals.

**25. Related Parties/ Conflict of Interest.** Lessee in accepting this Lease represents and warrants that Lessee is not (or in the event Lessee is a corporation, partnership, joint venture or other entity, no employee, officer, partner, director, owner or controlling person of Lessee) an employee, officer, director or controlling person of Bank One, Texas, N.A., or any subsidiary or affiliate of Bank One, Texas, N.A. The Lessee in accepting this Lease further warrants that it has no intention to assign this Lease to any party known by the Lessee to be an employee, officer, director or controlling person of Bank One, Texas, N.A. or any subsidiary or affiliate of Bank One, Texas, N.A.

**26. Compliance with Environmental Laws and Regulations.** Lessee, its successors and assigns, by its acceptance of this lease, hereby agrees to comply with all applicable laws, rules and regulations and hereby assumes full responsibility for, and agrees to indemnify, defend and hold harmless, Lessor from and against any loss, liability, claim, fine, expense cost (including attorneys fees and expenses) and cause of action caused by or arising out of the violation (or defense of the alleged violation) of any Federal, state or local laws, rules or regulations applicable to any waste material, drilling matter fluid or any hazardous substances released or caused to be released by Lessee or Lessee's agents, or independent contractors from the land leased hereunder into the atmosphere or into or upon the land or any water course or body of water, including ground water. Additionally, upon receiving any notice regarding any environmental, pollution or contamination problem or violation of any law, rule or regulation, Lessee will forward a copy to Lessor by certified mail within thirty (30) days, or failing which, Lessor shall have the option to terminate this Lease upon thirty (30) days written notice to Lessee and a reasonable amount of time with which to cure said default. This provision and its indemnities shall survive the termination of this Lease, and shall inure to the successors, heirs and assigns of Lessor and Lessee.

**27. No Salt Water or Waste Injection Wells.** If Lessor is also the owner of the surface, Lessee shall not be permitted to dispose of salt water or produced wastes or wastes of any kind into any formation or strata on this Lease, save and except for the salt water produced from the lands contained in this Lease, but not including any lands pooled herewith.

**28. Timely Plugging and Abandonment of Wells.** Without the prior written consent of the Lessor, Lessee shall not allow any well located on the leased premises to remain in a shut-in, temporarily abandoned or otherwise non-productive state for a period of more than six (6) months from the date of last production or the time permitted by the rules and regulations of the applicable regulatory authority, whichever is less, without beginning plugging and abandonment operations with respect to the well and restoring the location, and providing that these procedures must be completed within two (2) months of their initiation. The only exception to this shall be gas wells capable of production which are shut-in pursuant to the provisions of Section 12 above regarding shut-in royalties, and for which shut-in payments are being made in accordance with those same provisions. Violations of this provision will be considered a material breach and will serve to terminate this lease.

**29. Alteration /Modification.** The terms of this Lease cannot be altered or amended except by a written instrument clearly demonstrating such purpose and effect, and executed by both parties to this Lease. The written instrument shall describe the specific terms or provisions being altered and the proposed modification or change thereto. Any notation or legend attached to a royalty check shall be null and void and without legal significance for the purpose of altering this Lease Agreement.

**30. Ancillary Rights.** Lessee shall have the right for a period of one (1) year following the expiration of this Lease or the release of any lands covered by this Lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. If not, Lessor shall have the option to either claim the property, in whole or in part, as his own or having the said properties and fixtures removed, in whole or in part, at Lessee's expense. If the property is opted to be removed, additional expenses for surface damages and restoring the land shall be charged to Lessee, provided, however, Lessee shall not be



relieved of its liability to plug any well so abandoned.

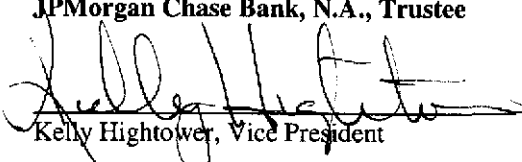
**31. Governmental Proration Unit.** The term "governmental proration unit" and/or "proration unit" where used in this lease, absent pooling and field rules, shall mean i) forty (40) acres plus a tolerance of ten percent (10%) surrounding each well classified as an oil well by the appropriate governmental authority; and ii) three hundred twenty (320) acres plus a tolerance of ten percent (10%) surrounding each well classified as a gas well by the appropriate governmental authority. In the event of pooling, the term "governmental proration unit" and/or "proration unit" shall mean and refer to all lands included within a pooled unit formed under Section 13 hereof.

**32. Split Stream Contracts.** In the event that gas produced under the terms of this lease is sold under multiple gas purchase contracts, "split stream contracts," Lessor, at its option, may require that all Lessees who are selling gas produced under the terms of this lease designate a single Lessee to pay all royalties due to Lessor under this lease.

IN WITNESS WHEREOF, this instrument is executed to be effective on the date first above written.

**LESSOR:**

Susan Feagin Cheairs Trust  
JPMorgan Chase Bank, N.A., Trustee

  
Kelly Hightower, Vice President

Address:  
JPMorgan Chase Bank, N.A.  
P.O. Box 25848  
Oklahoma City, OK 73125-0848

**LESSEE:**

Chesapeake Exploration, L.L.C

  
Henry J. Hood, Senior Vice President –  
Land and Legal & General Counsel 

Address:  
Chesapeake Exploration, L.L.C  
PO Box 18496  
Oklahoma City, OK 73154

STATE OF OKLAHOMA )

) SS.

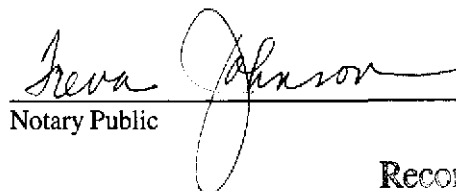
**CORPORATION ACKNOWLEDGMENT**

COUNTY OF OKLAHOMA )

On this 2<sup>ND</sup> day of April, A.D., 2008, before me, a Notary Public in and for said County and State, personally appeared Kelly Hightower to me known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its Vice- President and acknowledged to me that she executed the same as her free and voluntary act and deed, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.



  
Notary Public

Record & Return to:  
Chesapeake Operating, Inc.  
P.O. Box 18496  
Oklahoma City, OK 73154

STATE OF OKLAHOMA §

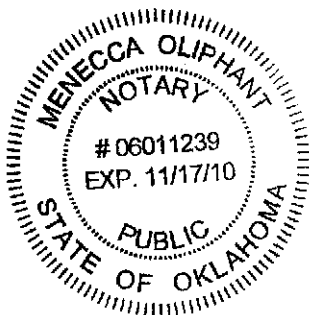
§

COUNTY OF OKLAHOMA §

§

BEFORE ME, the undersigned, a Notary Public, on this 16<sup>th</sup> day personally appeared Henry J. Hood, Senior Vice President Land & Legal, known to me to be the person whose name is subscribed to the foregoing instrument and, that he has executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 16<sup>th</sup> day of April ~~November~~ 2008.



  
Notary Public



CHESAPEAKE OPERATING INC  
P O BOX 18496

OKLAHOMA CITY OK 73154

Submitter: CHESAPEAKE OPERATING INC

---

SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 05/13/2008 11:11 AM  
Instrument #: D208176239  
LSE 7 PGS \$36.00

By: \_\_\_\_\_



**D208176239**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Printed by: CN